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FISCAL IMPACT REPORT

SPONSOR Jennings **ORIGINAL DATE** 2/9/07 **LAST UPDATED** 2/27/07 **HB** _____
SHORT TITLE Tax Rebate For 2007 Taxable Year **SB** 812
ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
(\$189,400.0)	(\$63,100.0)		Nonrecurring	General Fund
	See Narrative			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

Response Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 812 creates a personal income tax rebate for all NM residents who filed a tax return in 2006 who are not dependents of another taxpayer and who are residents on the last day of 2006 or for NM residents who file a tax return in 2007 provided they are a resident on the last day of 2007. The rebate amount is \$138 per exemption declared for federal income tax purposes. For those taxpayers who filed a return in 2006, the rebate is an advanced rebate that will be issued no later than June 30, 2007. For those taxpayers who did file a return in 2007 and did not receive an advance payment, the rebate can be claimed on the 2007 tax return. Either way, the rebate is exempt from NM personal income taxes.

There is an emergency clause so the effective date is upon signing by the governor.

FISCAL IMPLICATIONS

SB812 sets up a rebate similar to the one issued in 2005 by legislation enacted following the

2005 special session. Whereas that rebate had varying amounts depending on income and number of exemptions, this rebate is \$138 per exemption regardless of income. In 2005, there were 939 thousand returns with 1.83 million exemptions claimed, according to Taxation and Revenue Department data. The rebate will reduce personal income tax revenues which flow to the general fund by \$252.5 million. Assuming that 25 percent growth in tax returns based on the growth from 2004 to 2005, it is estimated that \$189.4 million will be included in the advanced payments and \$63.1 million will be claimed on the 2007 tax return in FY08. Over sixty percent of the rebates would go to those with less than \$35,000 in adjusted gross income. The average rebate per taxpayer is \$284.

Table 1: Average Rebate by Income

	Share	Average Rebate	Average Exemptions
0 to 10,000	17%	\$ 192.9	1.40
10,001 - 20,000	22%	282.8	2.05
20,001 - 35,000	22%	304.3	2.20
35,001 - 50,000	11%	319.6	2.32
50,001 - 100,000	22%	358.5	2.60
100,001 +	6%	379.4	2.75
	All Taxpayers	284.1	2.06

ADMINISTRATIVE IMPLICATIONS

TRD:

For example, the cost of mailing approximately 700,000 rebate checks in 2005 was \$441,641. Assuming the same amount of rebates is provided by the proposed bill, this cost is likely to increase to \$475,000. The proposed legislation would also require substantial programming costs. Administering the proposed rebates would create a number of problems for the Department, as outlined in the Other Issues section below.